

IN THE MATTER OF:

LVNV FUNDING LLC,

**RESURGENT CAPITAL SERVICES
LIMITED PARTNERSHIP,**

SHERMAN ORIGINATOR LLC,

ALEGIS GROUP LLC,

SHERMAN FINANCIAL GROUP LLC,

SHERMAN CAPITAL MARKETS LLC,

**SHERMAN ACQUISITION LIMITED
PARTNERSHIP,**

SHERMAN ACQUISITION L.L.C.,

**SHERMAN ACQUISITION II LIMITED
PARTNERSHIP,**

**SHERMAN ACQUISITION II GENERAL
PARTNERSHIP LLC,**

SHERMAN CAPITAL, L.L.C.,

MEETING STREET PARTNERS II INC.,

BENJAMIN W. NAVARRO,

LESLIE G. GUTIERREZ,

SCOTT E. SILVER,

KEVIN P. BRANIGAN, and

ROBERT A. RODERICK,

Respondents.

**BEFORE THE MARYLAND
STATE COLLECTION AGENCY
LICENSING BOARD IN THE
OFFICE OF THE
COMMISSIONER OF FINANCIAL
REGULATION**

Case No.: DFR-FY2012-012

INTERIM SETTLEMENT AGREEMENT AND
MODIFICATION TO SUMMARY ORDER TO CEASE AND DESIST AND
SUMMARY SUSPENSION OF COLLECTION AGENCY LICENSES

This Interim Settlement Agreement and Modification to Summary Order to Cease and Desist and Summary Suspension of Collection Agency Licenses ("Interim Agreement") is entered into this 17th day of November, 2011, by and between the Maryland State Collection Agency Licensing Board in the Office of the Commissioner of Financial Regulation (hereinafter the "Agency") and LVNV Funding LLC ("LVNV"), Resurgent Capital Services Limited Partnership a/k/a Resurgent Capital Services L.P. ("Resurgent"), Sherman Originator LLC ("Sherman Originator"), Alegis Group LLC ("Alegis"), Sherman Financial Group LLC ("SFG"), Sherman Capital Markets LLC ("SCM"), Sherman Acquisition Limited Partnership a/k/a Sherman Acquisition L.P. ("SALP"), Sherman Acquisition L.L.C. ("SALLC"), Sherman Acquisition II Limited Partnership a/k/a Sherman Acquisition II L.P. ("SAIILP"), Sherman Acquisition II General Partnership LLC ("SAIIGPLLC"), Sherman Capital, L.L.C. ("Sherman Capital"), Meeting Street Partners II Inc. ("MSPII"), Benjamin W. Navarro, Leslie G. Gutierrez, Scott E. Silver, Kevin P. Branigan, and Robert A. Roderick (collectively, the "Respondents"). The Agency and Respondents (the "Parties") consent to the entry of this Interim Agreement as an interim measure designed to permit Respondents to resume certain business activities in the State while the Parties work in good faith to resolve the matters addressed in the Agency's Summary Order to Cease and Desist and Summary Suspension of Collection Agency Licenses dated October 25, 2011 (the "Agency's Order"). All paragraphs below are intended to be part

of the contractual obligations of the Parties hereto, so far as they may be so construed, and are not mere recitals to this Interim Agreement.

1. This Interim Agreement is entered into without prejudice to either Party, and does not constitute an admission of liability by Respondents nor a waiver of a right to a hearing.

2. Respondents have agreed to take each and every one of the following actions in exchange for a modification of the Agency's Order:

a. Respondents will not contest the Order to Stay issued by the District Court of Maryland on October 26, 2011 for as long as this Interim Agreement remains in effect.

b. Respondents will ensure that, for as long as this Interim Agreement remains in effect, neither the Respondents nor any agents acting on their behalf will send any collection letters to Maryland consumers which state or otherwise imply that the consumer could be subject to a lawsuit or other legal action for failure to pay the consumer claim at issue.

c. Respondents shall not sell, assign, or otherwise transfer any consumer claims involving Maryland residents ("Maryland consumer claims") that have ever been the basis for a lawsuit filed on behalf of any of the Respondents in Maryland State courts to any other non-Respondent business entity or individual ("non-Respondent") for as long as this Interim Agreement remains in effect; this provision includes, but is not limited to, Maryland consumer claims that would otherwise be subject to master flow agreements between

Respondents and non-Respondents, but does not pertain to consumer claims that had already been assigned prior to the date of the Agency's Order.

d. For as long as this Interim Agreement remains in effect, Respondents shall not collect or attempt to collect on any Maryland consumer claims that have ever been the basis for a lawsuit filed on behalf of any of the Respondents in Maryland State courts.

e. The Respondents shall create a new segregated account, into which Respondents shall place and maintain in full, for as long as this Interim Agreement remains in effect, all voluntary or involuntary payments received by the Respondents or their agents on or after October 26, 2011, including but not limited to wage garnishments, which are in any way related to any Maryland consumer claims on which lawsuits have been filed in Maryland State courts.

f. Respondents will provide a report to the Agency on or before November 29, 2011 containing all of the following information and documents (in the context of the information and documents to be provided, the term "Respondent" refers not only to the Respondents named in the present Agency action, but also to any other direct or indirect subsidiary or parent company of any of Respondent business entities, and to any other company in which any of the individual Respondents is a member, officer, partner, manager, or director, with the exception of Credit One Bank, N.A., which shall be considered a "non-Respondent" for purposes of the information and documents to be provided):

(1). The total number of cases in which Respondents were awarded judgment in Maryland district courts from October 1, 2007 to the present, broken down by year and by name of the Respondents;

(2). The total number of cases in which consumers paid to the Respondents or to their agents, whether voluntarily or through some involuntary method such as wage garnishment, any amount pursuant to judgments awarded in Maryland State courts from October 1, 2007 to the present, broken down by year and by name of the Respondents;

(3). The total amount paid by the consumers described in paragraph 2.f.(2), above, broken down by year and by name of the Respondents;

(4). The total number of Maryland State cases in which Respondents entered into pre-judgment settlements with Maryland consumers from October 1, 2007 to the present, broken down by year and by name of the Respondents;

(5). The total amount paid by the consumers described in paragraph 2.f.(4), above, broken down by year and by name of the Respondents;

(6). The total number of Maryland State court cases to be dismissed with prejudice pursuant to the class settlement in the case of *Hauk v. LVNV Funding, LLC*, Civil Action No.1:09-cv-03238, U.S District Court for the District of Maryland, and the total amounts sued for in the dismissed cases, exclusive of any prejudgment interest, attorney's fees, or costs sought by Respondents;

(7). The total number of Maryland State court cases in which any of the Respondents is a named plaintiff, which are currently pending in a prejudgment procedural posture and which are not affected by the settlement referenced in paragraph 2.f.(6), above, broken down by year, by name of the Respondents, and by the applicable courts (either "district court" or the specific circuit court);

(8). The total number of Maryland consumer claims currently owned by any of the Respondents for which collection efforts have been made but where no Maryland State court case has been filed, broken down by consumer claims not yet assigned to Maryland attorneys for collection and by claims assigned to Maryland attorneys for collection;

(9). Copies of the master flow agreements, applicable to accounts where suits were filed on or after October 1, 2007, between original creditors or previous non-Respondent owners of consumer claims and the Respondents, which involve the 3 largest volume assignments of Maryland consumer claims to the Respondents; additionally, samples of subsequent assignment/assumption agreements pursuant to these master flow agreements;

(10). Copies of all contracts, agreements, and like documents, regardless of the year created, potentially applicable to the sale, assignment, assumption, purchase, acquisition, or transfer (collectively, "assignment") of the Maryland consumer claims expressly identified by case number in the Agency's Order; this includes but is not limited to all assignment agreements, assumption agreements, bills of sale, sales agreements, master flow agreements, and like documents applicable to the assignment of these Maryland consumer claims from non-Respondents to the Respondents, the assignment of these Maryland consumer claims among the Respondents, and the assignment of these Maryland consumer claims from Respondents to non-Respondents;

(11). A copy of the master flow agreement, applicable to accounts where suits were filed on or after October 1, 2007, involving the largest volume of assignments of Maryland consumer claims from the Respondents to a non-Respondent;

additionally, samples of subsequent assignment/assumption agreements pursuant to this master flow agreement;

(12). A copy of the master flow agreement, applicable to accounts where suits were filed on or after October 1, 2007, involving the largest volume of assignments of post-judgment Maryland consumer claims from the Respondents to a non-Respondent, and which is different from the master flow agreement identified in paragraph 2.f.(11), above; additionally, samples of subsequent assignment/assumption agreements pursuant to this master flow agreement;

(13). Copies of the various template business contracts, retainer agreements, collection agency contracts, and/or like documents setting forth the legal and/or business relationships between the Respondents and Maryland attorneys that have been used by the Respondents between October 1, 2007 and the present; among other things, such template documents should specify the amount and method by which the Maryland attorneys were to be compensated for collecting on the Maryland consumer claims described above, the respective responsibilities of the Respondents and the attorneys with regard to collection-related litigation in Maryland State courts, and the relative control or expectations of each party over the conduct of that litigation; and

(14). Updated corporate structure and ownership information previously submitted to the Agency in conjunction with Respondents' collection agency license applications.

3. Once the Respondents have submitted a report to the Agency containing the information and documents specified in paragraph 2.f, above, the Parties will negotiate what

monetary penalties, restitution, and/or other sanctions, if any, may be appropriate, as well as any corrective actions to the business activities of the Respondents.

4. The Parties hereto agree that any notices hereunder shall be effectively "delivered" when sent via overnight delivery or certified mail, as follows:

a. To the Commissioner:

Commissioner of Financial Regulation
500 North Calvert Street, Suite 402
Baltimore, Maryland 21202-3651
Attention: Anne Balcer Norton, Deputy Commissioner

Copy to:

W. Thomas Lawrie, Assistant Attorney General
Department of Labor, Licensing, and Regulation
500 North Calvert Street, Suite 406
Baltimore, Maryland 21202-3651

b. To the Respondents:

Ronald S. Canter, Esquire
11300 Rockville Pike, Suite 1200
Rockville, Maryland 20852;

Scott E. Silver, General Counsel
200 Meeting Street, Suite 206
Charleston, SC 29401

NOW, THEREFORE, it is, by the Commissioner of Financial Regulation on behalf of the Agency, HEREBY

ORDERED that the Agency's Order is MODIFIED as follows:

1. the Summary Suspension component of the Agency's Order is vacated, and, subject to paragraph 3 below, LVNV and Resurgent may engage in traditional (non-litigation

related) collection activities involving Maryland consumer claims that have never been the basis for a lawsuit filed on behalf of any of the Respondents in Maryland State courts;

2. the vacating of the Summary Suspension affects licensed collection agencies LVNV and Resurgent only;

3. LVNV and Resurgent are still subject to the Summary Order to Cease and Desist component of the Agency's Order, and thus, among other things, LVNV and Resurgent are prohibited from engaging, directly or indirectly, in any litigation-related collection activities in the State of Maryland;

4. in their resumption of traditional collection agency business activities, LVNV and Resurgent must comply with all applicable Federal and State laws, including but not limited to the FDCPA, the MCDCA, and MCALA; and

5. all other provisions of the Agency's Order remain in full force and effect;

it is further

ORDERED that the Respondents shall make all good faith efforts to adhere to each and every term of this Interim Agreement, and shall immediately notify the Agency of any potential violations of the Agreement that the Respondents identify or of which the Respondents otherwise become aware; and it is further

ORDERED that this Interim Agreement is effective as of the date executed, and shall remain in full force and effect until: the Parties modify or amend this Interim Agreement in writing; the Parties enter into a final settlement agreement, pursuant to which the Agency's Order and all modifications thereto, including but not limited to this Interim Agreement, will be superseded by such final settlement agreement; the Agency rescinds the above

modifications to the Agency's Order, thereby reinstating the original provisions of the Agency's Order; or the Agency issues a Final Order subsequent to a hearing of this matter, pursuant to which the Agency's Order and all modifications thereto, including but not limited to this Interim Agreement, will be superseded by such Final Order.

It is so ORDERED.

IN WITNESS WHEREOF, this Interim Agreement is executed on the day and year first above written.

MARYLAND STATE COLLECTION
AGENCY LICENSING BOARD IN THE
OFFICE OF THE COMMISSIONER OF
FINANCIAL REGULATION

By: 

Anne Balcer Norton
Deputy Commissioner of Financial
Regulation

For Mark Kaufman
Commissioner of Financial Regulation
Chairperson, State Collection Agency
Licensing Board

LVNV FUNDING LLC

By: 

Scott E. Silver
Counsel

RESURGENT CAPITAL SERVICES
LIMITED PARTNERSHIP, ET AL.

By: 

Scott E. Silver
Individually, and Counsel for All
Respondents